

Message Text

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ACTION TRSE-00

INFO OCT-01 ARA-10 ISO-00 EB-08 SP-02 USIA-06 AID-05

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LIMITED OFFICIAL USE BRASILIA 7176

PASS TO TREASURY FOR FRANK MARESCA

E.O. 11652: N/A

TAGS: EFIN, BR

SUBJECT: BRAZILIAN OFFICIALS MEETINGS AT TREASURY

REF: (A) LOHMANN-SEYMOUR TELECON 29 AUG (B) STATE 205434

(C) BRASILIA 7163

1. FRANCISCO DORNELLES, MINISTRY OF FINANCE GENERAL COUNSEL, HAS CONFIRMED THAT HE AND CENTRAL BANK DIRECTOR FERNAO BRACHER WILL ATTEND LUNCHEON AND MEETING ON SEPTEMBER 7 AT THE TREASURY ON THE IRS RULING ON THE BRAZILIAN TAX ON INTEREST PAID TO U.S. LENDERS.

2. DORNELLES HAS EXPRESSED STRONG DESIRE THAT U.S. PARTICIPANTS BE FULLY AUTHORIZED TO NEGOTIATE AND TO MAKE DEFINITIVE DECISIONS ON TAX MATTER UNDER DISCUSSION. BASED ON SECRETARY BLUMENTHAL'S LETTER OF MAY 18, MINISTER OF FINANCE SIMONSEN EXPECTS DORNELLES TO BE ABLE TO RESOLVE THE OUTSTANDING ISSUES DURING HIS VISIT TO WASHINGTON.

3. REGARDING OTHER POSSIBLE MEETINGS WITH TREASURY OFFICIALS, DORNELLES HAS REQUESTED OPPORTUNITY TO DISCUSS PENDING IDB/SPTF GRANT WITH DEPUTY ASSISTANT
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SECRETARY NACHMANOFF (SEE REF B). DORNELLES UNDERSTANDS THAT U.S. APPROVAL OF GRANT INCLUDING PORTION FOR GETULION VARGAS FOUNDATION IS PENDING CONGRESSIONAL ACTION ON IFI LEGISLATION PRIOR TO SEPTEMBER 15. HE WILL STESS MINISTER SIMONSEN'S PERSONAL INTEREST IN THE VARGAS FOUNDATION PROGRAM AND SEEK REASSURANCES AS TO THE PROSPECTS FOR APPROVAL OF THE SPTF GRANT IN THE RELATIVELY NEAR FUTURE.

THE MOST CONVENIENT TIME FOR DORNELLES TO MEET WITH NACHMANOFF
WOULD BE TUESDAY, 8 SEPTEMBER, DURING THE MORNING.

4. BRIEF COURTESY CALLS BY BOTH DORNELLES AND BRACHER
ON DEPUTY ASSISTANT SECRETARY HUFBAUER AND ASSISTANT
SECRETARY BERGSTEN ALSO WOULD BE DESIRABLE. THIS IS
PARTICULARLY TRUE IN VIEW OF THE FACT THAT DORNELLES
AND BRACHER MAY NOT BE ABLE TO PARTICIPATE IN THE
MEETING OF THE SUBROUP ON TRADE DUE TO THE CHANGE IN
SCHEDULING (SEE REF C). MOREOVER, BRACHER AND PERHAPS ALSO
DORNELLES WILL BE IN THE BRAZILIAN DELEGATION TO THE IMF/IBRD
MEETINGS LATER IN SEPTEMBER AND BRIEF VISITS ON
SEPTEMBER 7 WOULD PERMIT INITIAL EXCHANGE OF VIEWS ON
POSSIBLE SUBSEQUENT BILATERAL MEETINGS WITH MINFIN
SIMONSEN AND CENTRAL BANK PRESIDENT PAULO LIRA.
CRIMMINS

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